1: Anonymous U-4 (no date)1938 RB1 Baltic States Rb

has ceased to import more goods, in value, than she exports. In all three countries, though less, perhaps, in Lithuania than in the other two, the progress of industry has been considerable. But the reorganization is not limited to the nature of production itself. For, especially in Estonia and Latvia, the State has gradually tended to play a more and more important part in the economic system, until its activity in some respects can be described only as State capitalism. Thus, though there has certainly been a substantial recovery in all three countries, the economic systems, at any rate of Estonia and Latvia, have emerged from the depression in a very different form from that in which they entered it.

I. PRICE MOVEMENTS AND THE PRODUCTIVE SYSTEM, 1931–7

1. General Considerations

The main results of the crisis of 1930–2, as has just been mentioned, were severe falls in the price of the principal articles produced by the Baltic States, and an almost equally heavy decrease of consumption in their chief foreign markets. The former of these two results had a serious effect, first on the position of the agricultural population and then upon the standard of living of the whole community. Since the worst year of the crisis prices have not only ceased to fall, but have risen appreciably; in Estonia and Latvia currency depreciation and devaluation have given an additional stimulus to the rise of prices expressed in national currency. To this extent the difficulties caused by the fall of 1930–2 have been diminished. On the other hand, consumption in the chief markets of the Baltic States has improved only very gradually, and the problems caused thereby have therefore been of a less transitory nature. For, in order to remedy the consequent shortage of exchange, Latvia, Estonia, and, to a smaller degree, Lithuania have been forced to modify their productive systems in order to produce commodities which were formerly imported. Thus, during the years 1931–7, Estonia and Latvia have become to a very large extent self-supporting in certain of the chief foodstuffs, and in all three countries a policy of industrialization is being pursued.

2. Price Movements and their Effects

The extent of price movements during these years is shown in Table 32 on p. 145.

These indices, of course, include the price of a number of articles not produced in these States, especially certain imported manufactured goods in which the fall of prices was smaller than in many

1: Anonymous U-4 (no date)1938 RB1 Baltic States RB1

TABLE 32. *Price Movements in the Baltic States,*[1] *1931–7* 435 ●

(1929 = 100)

	Estonia	*Latvia*	*Lithuania*
Average for year 1929	100·0	100·0	100·0
" " 1930	87·2	85·0	86·6
" " 1931	77·8	70·7	74·2
" " 1932	70·9	71·0	60·9
" " 1933	72·6	69·8	53·6
" " 1934	72·6	69·2	51·5
" " 1935	71·8	72·6	46·4
" " 1936	77·8	75·6	46·4
" " 1937	86·3	94·2	52·6

articles they produce. The price of the staple agricultural products, in fact, often fell far more heavily than is suggested by these figures, while that of the manufactured goods used by the farmers fell more slowly; and the Baltic farmer was very severely affected by this opening of the 'price-scissors'. Moreover, the index figures are misleading in the case of Estonia and to some extent in that of Latvia, owing to the abandonment of the gold standard during 1933 in the former country, and in the latter to the adoption of certain measures equivalent to the recognition of currency depreciation,[2] before the gold standard was abandoned in 1936. If, for example, the index figure for Estonia in 1934 were adjusted so as to allow for the depreciation of the currency, it would stand not at 72·6 but at 45·1.

The chief effects of the fall in prices upon the agricultural classes were a heavy increase in the service of their debts, which had been contracted for the most part when prices were considerably higher, and an increasing difficulty, amounting often to impossibility, in purchasing manufactured articles. In Estonia and Latvia the State was able to assist the farmer to some extent. Thus in 1933 the State Mortgage Bank of Estonia reduced the rate of interest on loans contracted before October of that year from 8 to 6 per cent., while in March 1934 part of the debts of certain small farmers to the State Agricultural Bank were cancelled, and the service of certain other such debts was suspended until 1937. At the same time service on the debts of certain small debtors to the State Mortgage Bank was remitted for a similar period.[3] In both countries measures were taken, more or less successfully, to maintain agricultural prices, e.g. the subsidies offered on rye and wheat or the export premiums granted for bacon, butter, and eggs. Moreover, the increase in grain production encouraged by the

435 652 565

[1] Estonia and Latvia: wholesale price indices, taken from League of Nations, *Monthly Bulletin of Statistics*. Lithuania: *Lietuvos Bankas Bulletin*, February 1938 (no. 15 [39]), 'commodity price' index (1926–9 = 100) adjusted with 1929 as base year.

[2] See further p. 174.

[3] League of Nations, *Memorandum on Commercial Banks, 1929–1934*, Geneva, 1935, p. 72. For the banks here mentioned, see above, p. 142.

Governments of these two States did much to compensate the agricultural class as a whole for falls in the price of their staple products. No such policy was possible in a country such as Lithuania, where agricultural production could not readily be increased. Here the situation was aggravated by the economic difficulties with Germany arising out of the Memel question,[1] and the position of the peasant long remained miserable. It was stated in November 1935 that 'in spite of all the relief afforded directly and indirectly by the Government, farmers are thrown back on their own resources, even to the wearing of home-spun cloth and straw shoes'.[2]

Since 1935, however, prices have risen appreciably in all three countries, and even in Lithuania, where the gold content of the currency has remained the same throughout, the increase has been substantial. The rise gathered momentum during the earlier part of 1937 and, though most prices have since fallen somewhat, the effect upon the position of the farmer has been enormous. The resulting increase in the purchasing power of the agricultural population has, in fact, been the basis of the active industrial conditions which persisted in Estonia and Latvia during 1936 and 1937–8, and of the considerable increase in Lithuania's imports in 1937, most of which are of an industrial nature.

3. Agriculture

The production of cereals over the period is shown in the following table:

Table 33. *Cereal production*

	Area under crop (thousand ha.)				*Production (thousand quintals)*				*Yield (quintals per ha.)*			
	Average 1926–30	*Average 1931–5*	*Year 1936*	*Year 1937**	*Average 1926–30*	*Average 1931–5*	*Year 1936*	*Year 1937**	*Average 1926–30*	*Average 1931–5*	*Year 1936*	*Year 1937**
Wheat												
Estonia	30	56	66	68	321	634	662	753	10·7	11·3	10·0	11·1
Latvia	61	119	129	137	731	1,632	1,435	1,715	11·8	13·7	11·1	12·5
Lithuania	163	205	196	209	1,839	2,532	2,189	2,174	11·9	13·4	11·0	10·4
Barley												
Estonia	114	107	101	89	1,139	1,034	868	819	9·9	9·7	8·6	9·2
Latvia	176	185	189	182	1,570	2,004	1,650	2,314	8·8	10·8	8·7	12·0
Lithuania	201	202	214	214	2,113	2,435	2,326	2,471	10·7	12·1	10·9	11·5
Rye												
Estonia	143	147	137	149	1,594	1,907	1,535	2,059	12·1	13·0	11·2	13·8
Latvia	254	253	258	288	2,471	3,146	2,860	4,214	9·7	12·4	11·1	14·6
Lithuania	471	498	492	510	5,184	5,891	5,414	6,009	10·8	11·4	11·0	11·8
Oats												
Estonia	144	142	138	145	1,273	1,409	1,138	1,437	8·6	9·9	8·2	9·9
Latvia	297	317	339	335	2,561	3,542	2,844	4,049	8·0	11·2	8·4	12·1
Lithuania	335	350	357	348	3,370	3,735	3,216	3,898	9·4	10·7	9·3	11·2

* 1937: provisional figures only.

[1] See below, p. 167.

[2] D.O.T.: *Economic Conditions in Lithuania, November 1935*, publ. 1936, p. 24.

Estonia and Latvia, and until 1934 for Lithuania. By this point the 439
value of exports for the two former countries was less than a third of the average for 1928–30, for Lithuania less than one-half. The figures are as follows:

TABLE 40. *Foreign Trade: Special Trade, excluding Bullion and Specie*

(*Figures in millions*)

(*i*) *Values expressed in national currency*

	Estonia (*kr.*)		*Latvia* (*lats*)		*Lithuania* (*lits*)	
	Exports	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*
Yearly average 1928–30	113·5	117·3	261·1	321·9	306·7	303·1
Year 1931	71·0	61·1	163·8	176·3	273·1	277·7
„ 1932	42·6	36·7	96·5	84·2	189·1	166·5
„ 1933	45·6	39·0	81·5	91·0	160·2	141·5
„ 1934	69·0	55·2	85·3	94·7	147·2	138·1
„ 1935	80·1	68·7	98·8	101·1	153·2	126·7
„ 1936	83·2	86·6	138·4	121·7	190·5	154·2
„ 1937	106·0	111·1	260·9	231·2	208·3	212·7
A. Percentage fall between 1928–30 average and lowest point	62·5%	68·7%	68·8%	73·8%	52·0%	58·2%
B. Percentage rise from lowest point	148·8%	202·7%	220·4%	174·7%	41·6%	67·9%

(*ii*) *Values expressed in Swiss francs*

	Estonia		*Latvia*		*Lithuania*	
	Exports	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*
Yearly average 1928–30	157·4	162·6	261·1	321·9	158·7	156·8
Year 1931	96·5	84·9	163·8	176·3	141·5	143·8
„ 1932	59·2	51·0	96·5	84·2	98·0	86·2
„ 1933	48·2	42·0	81·5	91·0	83·0	73·3
„ 1934	59·5	47·6	85·3	94·7	76·2	71·5
„ 1935	66·9	57·4	98·7	101·1	78·8	65·6
„ 1936	70·3	73·3	118·0	105·7	98·7	79·9
„ 1937	89·5	93·3	156·7	138·8	107·9	110·1
A. Percentage fall between 1928–30 average and lowest point	69·4%	74·2%	68·8%	73·8%	52·0%	58·2%
B. Percentage rise from lowest point	85·7%	122·1%	92·3%	64·9%	41·6%	67·9%

The reasons for the decrease do not require detailed consideration. The main factor was the fall of prices, though the effect of the crisis [435] ●
on the two chief markets of the Baltic States, the United Kingdom and Germany, was almost equally important. For example, building in these two countries was greatly reduced, and their timber imports fell severely. Moreover, the policy of the United Kingdom